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SUBJECT: ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

President Bush's July 16 Remarks on Mideast

Key stories in the media:

All media reported that on Monday President Bush announced the convening of an international conference later this year that will include Israel, the PA, and some Arab states, to help restart peace talks and review progress in building democratic institutions in the

Arab world. The President was also quoted as saying that the US would provide the new PA emergency government with over USD 190 million in aid. Yediot quoted associates of PM Ehud Olmert as saying that Olmert had raised the idea of an international conference with the President. Yediot reported that these remarks angered US administration officials, who were quoted as saying that the meeting is an American idea.

Bush was quoted as saying that Secretary of State Condoleezza Rice will lead the summit, which is planned for the fall. Bush urged Israel to remove unauthorized outposts, stop expanding settlements, and to "find other practical ways to reduce their footprint without reducing their security." The President said that this was a "moment of clarity for all Palestinians. And now comes a moment of choice. The alternatives before the Palestinian people are stark. There is the vision of Hamas, which the world saw in Gaza -- with murderers in black masks, summary executions, and men thrown to their death from rooftops" which would endlessly perpetuate grievance, and another, "hopeful" option. "It is the vision of President Abbas and Prime Minister Fayyad; it's the vision of their government; it's the vision of a peaceful state called Palestine as a homeland for the Palestinian people," President Bush was quoted as saying.

Leading media reported that Israel responded positively to the President's address. The Jerusalem Post quoted PM Olmert's spokeswoman, Miri Eisin, as saying that Israel hoped to see the involvement of countries such as Saudi Arabia, Bahrain, and Morocco.

But she played down the mandate of such a gathering, saying that Bush had not called it an international peace conference, but rather a regional "meeting" of participants who support the idea of a two-state solution. While citing the satisfaction of Fatah/PLO

spokesmen over the President's address, the media reported that it was a "crusade" against the Palestinian people. In an interview with Israel Radio this morning, Meretz-Yahad leader Dr. Yossi-Beilin said that he was "not impressed" by the fact that the summit will not be attended by the President of the US.

The media reported that on Monday PM Olmert met with PA Chairman [President] Mahmoud Abbas at Olmert's official Jerusalem residence. The media said that Olmert warned Abbas against renewing cooperation with Hamas. Ha'aretz quoted a "political source" as saying that Abbas vowed not to resume any such cooperation. Ha'aretz reported that during the meeting the Palestinians proposed restarting negotiations toward a final agreement, and offered to discuss the "core issues" -- Jerusalem, the refugee question and borders. Olmert rejected their proposal, saying it is too soon to discuss these issues and insisted that there are other important issues that must be dealt with first. However, the Palestinian delegation was quoted as saying that it has been decided that from now on Abbas would only deal with final status issues and not with routine matters, such as the separation fence, fugitives, immunity to militants and aid, which will now be handled by PM Salam Fayyad and his interior minister. Ha'aretz noted that in so doing, the PA has essentially imposed an agenda for future meetings between Olmert and Abbas. Leading electronic media reported that this morning, in line with PM Olmert's promise to Chairman Abbas, an interministerial committee headed by Olmert approved the release of 256 Palestinian prisoners. The prisoners, mostly from Fatah along with a few from PFLP and DFLP, will be freed on Friday. Transportation Minister and former defense minister Shaul Mofaz opposed their release.

Ha'aretz reported that former British PM Tony Blair, the Quartet's envoy to the Middle East peace process, will arrive in Jerusalem on Monday to start his mission. He was quoted as saying that he would stay in the region for one week every month.

Israel Radio cited the London-based Al-Hayat as saying that on Monday Secretary Rice warned Egyptian intelligence chief Omar Suleiman against Egypt showing openness toward Hamas, so that the latter does not get strengthened. US officials reportedly told Suleiman that Egypt must increase its policing of the Gaza border to prevent arms smuggling and passage of terrorists.

Leading media reported that PM Olmert has decided to appoint Vice Premier Haim Ramon as chairman of a committee to implement recommendations from the Talia Sasson outposts report. Yediot

reported that Ramon is mulling over a plan to withdraw from 60 percent of the West Bank and evacuate some of the settlements in coordination with the Palestinians.

The Jerusalem Post reported that Turkish officials told the newspaper this week that Israeli and Palestinian officials have asked Ankara to consider involvement in commercial projects in the West Bank and along the Gaza border.

Maariv reported that the Israeli defense establishment is considering defensive measures against the Iranian nuclear program, including an increase in the number of sealed rooms around the country and the installation of filters against nuclear radiation.

Yediot and Maariv reported on Monday that Labor Party activist, Attorney Yehiel Gutman, whom Defense Minister Ehud Barak appointed as his representative in the issue of the abducted IDF soldiers, resigned after 12 days in the position. Yediot reported that Ofer Dekel, who represents PM Olmert on this matter, told Barak that he would not cooperate with Gutman.

The Jerusalem Post reported that Nepal has agreed to open an embassy in Israel 47 years after having established normal diplomatic relations with the country. The newspaper quoted GOI sources as saying that the move was meant to protect Nepalese workers from trafficking. Nepal's announcement comes after the GOI's May 1 statement that it would no longer issue work visas for Nepalese, as Nepal did not have an embassy in Israel.

Yediot and Israel Radio cited IDF statistics that one of four young Israelis is not drafted in the army. Another 17.5 percent do not complete their military service. According to Yediot, this means that 40 percent of young people do not serve in the army.

Leading media reported that in an effort to stem the "brain drain" from Israel, the Shochat commission reviewing the status of higher education in Israel proposes to invest millions of shekels to keep scientists in the country or lure them back to Israel.

Maariv reported that "in a blow to the interests of the US and Russia" and in contradiction of an explicit request by Washington, Turkey has signed a natural gas supply agreement with Iran.

President Bush's July 16 Remarks on Mideast:

Summary:

Diplomatic correspondent Ben Caspit wrote on page one of the popular, pluralist Maariv: "To create an opportunity for this chance to come to fruition, Bush will have to think outside the box, to create something else, something different, not to deliver a 'more of the same' speech."

Diplomatic correspondent Aluf Benn wrote on page one of the independent, left-leaning Ha'aretz: "Bush has accepted Abbas's demand to hold direct talks on the final settlement.... But Prime Minister Ehud Olmert ... has nothing to worry about."

Senior columnist Nahum Barnea wrote on page one of the mass-circulation, pluralist Yediot Aharonot: "Israel and the Palestinians have no one to turn to, and no one to rely on but themselves. Bush will provide no salvation. The question is do they want to; the question is can they."

Washington correspondent Shmuel Rosner wrote on page one of Ha'aretz: "What side [will] ... Rice ... come down on?"

Diplomatic correspondent Shimon Shiffer wrote in Yediot Aharonot: "The American initiative to move the process forward is meant to prevent a situation in which the Europeans and the Arab states try to enforce an agreement on the sides by means of their own peace conference."

Diplomatic correspondent Herb Keinon wrote on page one of the conservative, independent Jerusalem Post: "Monday night's speech laid the foundation of an overpass aimed at bridging the current

difficult reality."

Senior columnist Haggai Huberman wrote in the nationalist, Orthodox Makor Rishon-Hatzofe: "When a president who is sympathetic to Israel makes such blunt remarks, this means he is publicly adopting Palestinian demands."

The ultra-Orthodox Hamodi'a editorialized: "The face and future of the Middle East are molded neither by the American will, nor by declarations from abroad."

Block Quotes:

II. "Last Opportunity Speech"

Diplomatic correspondent Ben Caspit wrote on page one of the popular, pluralist Maariv (7/17): "This was the last chance speech. This is in effect the last chance for Bush to emerge from his two disastrous terms with some achievement in his hand. It is Abu Mazen's last chance. It is also Olmert's last chance. The problem is that to create an opportunity for this chance to come to fruition, Bush will have to think outside the box, to create something else, something different, not to deliver a 'more of the same' speech.... So what now? Now we will demolish a few illegal outposts and deliver more of the funds, and Abu Mazen and Fayyad will try to restore some order in their mess, courtesy of the bayonets of the IDF, without which Hamas would also be in control of the West Bank. In October we will all go to Washington, and if we are lucky representatives of the Gulf States will also attend, and perhaps some Saudi Arabian or two, to prove to us once again that the Jewish people is alive and our hope is not yet lost, and to give George Bush something small, very small, with which to finish his term of office, and at long last to go home."

II. "Bush's Tough Talk on Hamas"

Diplomatic correspondent Aluf Benn wrote on page one of the independent, left-leaning Ha'aretz (7/17): "US President George W. Bush threw a bone Monday to those how have accused him of ignoring the Israeli-Palestinian conflict. In a long address, which at times sounded more like a laundry list of the issues currently up for discussion and execution, he promised to intensify the American effort to bolster confidence of both sides in the two-state solution. It sounded nice but less exciting than the declaration he made at the start of his second term, in which he promised to invest American capital in establishing a Palestinian state. On Monday, Bush refrained from promising to set up a Palestinian state. He made do with posing a dilemma before the Palestinians, calling on them to choose between the Hamas extremists and the moderates, Palestinian President Mahmoud Abbas and Prime Minister Salam Fayyad.... Bush has accepted Abbas's demand to hold direct talks on the final settlement, and skip over the interim stage of a Palestinian state with borders that are not finalized. But Prime Minister Ehud Olmert, who is refusing to discuss the core issues at this stage, has nothing to worry about. He will get his extension, until the PA is clean of terrorism and corruption."

III. "Farewell Speech"

Senior columnist Nahum Barnea wrote on page one of the mass-circulation, pluralist Yediot Aharonot (7/17): "Those who watched Bush's speech on Monday saw a president who had shrunk amazingly. Five years and three weeks ago Bush delivered his first two-state speech and spoke of a permanent settlement within three years. On Monday evening he reiterated the main points of that speech, with one difference: He took care not to specify a timetable. Comparison of the two speeches reveals that peace in the Middle East is like the horizon: the nearer you get, the further away it is.... The words which five years ago were understood as a declaration of power, last night sounded as hollow as a preacher's sermon: full of good intentions, but meaningless. All that he has promised to do is to convene a regional conference headed by Condoleezza Rice in the autumn. These conferences are little more than an empty gesture. At the conclusion of his speech Bush turned his back to the camera.... This was a very theatrical and symbolic gesture. It was as if he were saying: I've had enough, I'm going. I'm turning my back on the Middle East. And, indeed, Israel and the Palestinians have no one to turn to, and no one to rely on but themselves. Bush will provide no salvation. The question is do

they want to; the question is can they."

IV. "She, Not He"

Washington correspondent Shmuel Rosner wrote on page one of Ha'aretz (7/17): "[Secretary] Rice's imprint could be seen on almost every detail of Bush's speech. If she succeeds, he can take the credit. If she fails, he can say that he sent the best person to try. In any case, of the two main elements in his speech, one reflected the certainty of action and the other a more hazy hope.... The administration can assume it will be able to increase aid [to the Palestinians] without encountering legislative obstacles. The second element, the convening of an international summit, was more ambiguous.... If Rice manages to drag the Saudis to the conference, she can report a breakthrough. But the Saudis have a tendency lately to disappoint the administration.... A regional summit holds out hope and risk for Israel. The hope is that additional members will be added to the circle of peace, and Israel will receive augmented legitimization. The risk of is that Israel will find itself dealing with a coalition for whom its interests are not primary. The big question is, of course, what side of this coalition Rice will come down on?"

IV. "Conference Made in Israel"

Diplomatic correspondent Shimon Shiffer wrote in Yediot Aharonot (7/17): "Olmert believes that in the absence of an authoritative Palestinian partner, the only possibility for making progress toward an arrangement is with the backing of the countries of the region and the international community. That is the background to Bush's call to hold an international conference in the fall under whose auspices Israeli and Palestinians will meet with the neighbors in the region. The American initiative to move the process forward is meant to prevent a situation in which the Europeans and the Arab states try to enforce an agreement on the sides by means of their own peace conference. Bush and Olmert share the assumption that the permanent arrangement will be possible after the Palestinians manage to establish credible institutions to administer their affairs, but it looks as if this is not going to happen during Bush's term -- perhaps not even in Olmert's. Olmert's impression from his meeting with Abu Mazen is that the Palestinians do not really expect Israel to withdraw from the West Bank right now.... Abu Mazen, in internal talks too, is unwilling to renew a dialogue with Hamas. The problem is that this refusal makes it possible for Hamas to mark Abu Mazen as collaborating with the US and with Israel and to prevent, by means of terror, the chance of making any progress in the peace process. On Monday Olmert warned Abu Mazen that if he renews his ties with Hamas in the future, all agreements between them are off."

VI. "Building a Bridge Over Troubled Waters"

Diplomatic correspondent Herb Keinon wrote on page one of the conservative, independent Jerusalem Post (7/17): "If [President Bush's] speech five years ago led to the launching of the Roadmap, Monday night's speech laid the foundation of an overpass aimed at bridging the current difficult reality. This reality can be summed up as follows: Palestinian Authority Chairman Mahmoud Abbas can make all the right declarations, but does not have the ability to assert his authority over all the West Bank and Gaza, and Prime Minister Ehud Olmert is limited -- because of the bitter Israeli experience of the last seven years and his own political weakness -- as to what he is now able to offer the Palestinians. Hence the bridge. And the bridge that Bush laid out on Monday night is based on new Quartet envoy Tony Blair, and the regional 'meeting' that Bush called for in the fall.... Five years after the Bush speech launched the Roadmap, Monday night's speech aimed at reconstructing one of the elements that the Roadmap was based upon -- responsible, accountable Palestinian governing institutions."

VII. "The Previous Speech Was Much More Positive"

Senior columnist Haggai Huberman wrote in the nationalist, Orthodox Makor Rishon-Hatzofe (7/17): "On Monday Bush demanded practical measures -- from Israel.... When a president who is sympathetic to Israel makes such blunt remarks, this means he is publicly adopting Palestinian demands. Abu Mazen can indeed be happy. At the same

time, as far as Israel is concerned, there was nothing new in positive sentences. Opposition to Hamas is anchored in Congressional resolutions forbidding any contact with terrorist organizations. The same applies to [Bush's] demand that Abu Mazen not establish a national unity government with Hamas.... Bush's speech is further evidence of how low Israel's diplomatic status has fallen in the past few years, as a result of its own failures -- mainly the unilateral pullout from the Gaza Strip."

VIII. "Broad-Based Decision-Making"

The ultra-Orthodox Hamodi'a editorialized (7/17): "There is considerable good will in the American viewpoint on international realities and on the Middle East in particular.... But the face and future of the Middle East will be molded neither by American will, nor by declarations from abroad -- even if they have the best possible intentions. The face of the Middle East will be modeled by its residents. Its policy will be adopted by its actual regional leaders."

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